

AMENDED IN ASSEMBLY JULY 18, 2007

AMENDED IN ASSEMBLY JULY 10, 2007

AMENDED IN ASSEMBLY JUNE 25, 2007

AMENDED IN SENATE MAY 22, 2007

AMENDED IN SENATE MAY 2, 2007

AMENDED IN SENATE APRIL 9, 2007

## SENATE BILL

**No. 980**

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### **Introduced by Senator Padilla**

(Coauthor: Assembly Member Davis)

February 23, 2007

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An act to amend ~~Sections 25302.5 and~~ *Section* 25303 of the Public Resources Code, relating to energy.

#### LEGISLATIVE COUNSEL'S DIGEST

SB 980, as amended, Padilla. Energy: local publicly owned electric utilities: adequacy of electric distribution system.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities. The existing Public Utilities Act requires the commission to adopt inspection, maintenance, repair, and replacement standards for the distribution systems of investor-owned electric utilities (electrical corporations). The planning and forecasting provisions of the Warren-Alquist State Energy Resources Conservation and Development Act require the State Energy Resources Conservation and Development Commission (Energy Commission) to prepare an integrated energy policy report on or before November 1, 2003, and every 2 years thereafter. Existing law requires each entity that serves

or plans to serve electricity to retail customers, including local publicly owned electric utilities, to provide the Energy Commission with a forecast of the amount of its forecasted load that may be lost or added, and load that will be served by an electric service provider.

The bill would require the Energy Commission, on or before November 1, 2009, to evaluate the adequacy of the electric distribution system, as defined, of ~~the 10 largest~~ *certain* local publicly owned electric utilities in the state, based upon the number of retail customers receiving electrical service from the utility, as part of the integrated energy policy report. The bill would require that the evaluation compare the adequacy of the electric distribution systems of *the included* publicly owned electric utilities with those of electrical corporations. The bill would require the PUC to assist the Energy Commission's evaluation by providing comparable information and technical support to review information provided by *the included* publicly owned electric utilities. The bill would specify that it does not confer authority upon the Energy Commission to regulate local publicly owned electric utilities.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     ~~SECTION 1. Section 25302.5 of the Public Resources Code~~
- 2     ~~is amended to read:~~
- 3     ~~25302.5. (a) As part of each integrated energy policy report~~
- 4     ~~required pursuant to Section 25302, each entity that serves or plans~~
- 5     ~~to serve electricity to retail customers, including, but not limited~~
- 6     ~~to, electrical corporations, nonutility electric service providers,~~
- 7     ~~community choice aggregators, and local publicly owned electric~~
- 8     ~~utilities, shall provide the commission with its forecast of both of~~
- 9     ~~the following:~~
- 10    ~~(1) The amount of its forecasted load that may be lost or added~~
- 11    ~~by any of the following:~~
- 12    ~~(A) A community choice aggregator.~~
- 13    ~~(B) An existing local publicly owned electric utility.~~
- 14    ~~(C) A newly formed local publicly owned electric utility.~~
- 15    ~~(2) Load that will be served by an electric service provider.~~
- 16    ~~(b) The commission shall perform an assessment in the service~~
- 17    ~~territory of each electrical corporation of the loss or addition of~~

1 ~~load described in this section and submit the results of the~~  
2 ~~assessment to the Public Utilities Commission.~~

3 ~~(e) Notwithstanding subdivision (a), the commission may~~  
4 ~~exempt from the forecasting requirements in that subdivision, a~~  
5 ~~local publicly owned electric utility that is not planning to acquire~~  
6 ~~additional load beyond its existing exclusive service territory within~~  
7 ~~the forecast period provided by the commission pursuant to Section~~  
8 ~~25303.~~

9 ~~(d) For purposes of this chapter, the following terms have the~~  
10 ~~following meanings:~~

11 ~~(1) “Community choice aggregator” means any “community~~  
12 ~~choice aggregator” as defined in Section 331.1 of the Public~~  
13 ~~Utilities Code.~~

14 ~~(2) “Electrical corporation” means any “electrical corporation”~~  
15 ~~as defined in Section 218 of the Public Utilities Code.~~

16 ~~(3) “Electric service provider” means any “electric service~~  
17 ~~provider” as defined in Section 218.3 of the Public Utilities Code.~~

18 ~~(4) “Local publicly owned electric utility” means any “local~~  
19 ~~publicly owned electric utility” as defined in Section 9604 of the~~  
20 ~~Public Utilities Code.~~

21 ~~SEC. 2.~~

22 *SECTION 1.* Section 25303 of the Public Resources Code is  
23 amended to read:

24 25303. (a) The commission shall, *as part of the integrated*  
25 *energy policy report due on or before November 1, 2009*, conduct  
26 electricity and natural gas forecasting and assessment activities to  
27 meet the requirements of paragraph (1) of subdivision (a) of Section  
28 25302, including, but not limited to, all of the following:

29 (1) Assessment of trends in electricity and natural gas supply  
30 and demand, and the outlook for wholesale and retail prices for  
31 commodity electricity and natural gas under current market  
32 structures and expected market conditions.

33 (2) Forecasts of statewide and regional electricity and natural  
34 gas demand including annual, seasonal, and peak demand, and the  
35 factors leading to projected demand growth including, but not  
36 limited to, projected population growth, urban development,  
37 industrial expansion and energy intensity of industries, energy  
38 demand for different building types, energy efficiency, and other  
39 factors influencing demand for electricity. With respect to  
40 long-range forecasts of the demand for natural gas, the report shall

1 include an evaluation of average conditions, as well as best and  
2 worst case scenarios, and an evaluation of the impact of the  
3 increasing use of renewable resources on natural gas demand.

4 (3) Evaluation of the adequacy of electricity and natural gas  
5 supplies to meet forecasted demand growth. Assessment of the  
6 availability, reliability, and efficiency of the electricity and natural  
7 gas infrastructure and systems including, but not limited to, natural  
8 gas production capability both in and out of state, natural gas  
9 interstate and intrastate pipeline capacity, storage and use, and  
10 western regional and California electricity and transmission system  
11 capacity and use.

12 (4) Evaluation of potential impacts of electricity and natural gas  
13 supply, demand, and infrastructure and resource additions on the  
14 electricity and natural gas systems, public health and safety, the  
15 economy, resources, and the environment.

16 (5) Evaluation of the potential impacts of electricity and natural  
17 gas load management efforts, including end-user response to  
18 market price signals, as a means to ensure reliable operation of  
19 electricity and natural gas systems.

20 (6) Evaluation of whether electricity and natural gas markets  
21 are adequately meeting public interest objectives including the  
22 provision of all of the following: economic benefits; competitive,  
23 low-cost reliable services; customer information and protection;  
24 and environmentally sensitive electricity and natural gas supplies.  
25 This evaluation may consider the extent to which California is an  
26 element within western energy markets, the existence of appropriate  
27 incentives for market participants to provide supplies and for  
28 consumers to respond to energy prices, appropriate identification  
29 of responsibilities of various market participants, and an assessment  
30 of long-term versus short-term market performance. To the extent  
31 this evaluation identifies market shortcomings, the commission  
32 shall propose market structure changes to improve performance.

33 (7) Identification of impending or potential problems or  
34 uncertainties in the electricity and natural gas markets, potential  
35 options and solutions, and recommendations.

36 (8) (A) Compilation and assessment of existing scientific studies  
37 that have been performed by persons or entities with expertise and  
38 qualifications in the subject of the studies, to determine the  
39 potential vulnerability, to a major disruption due to aging or a

1 major seismic event, of large baseload generation facilities, of  
2 1,700 megawatts or greater.

3 (B) The assessment specified in subparagraph (A) shall include  
4 an analysis of the impact of a major disruption on system reliability,  
5 public safety, and the economy.

6 (C) The commission may work with other public entities and  
7 public agencies, including, but not limited to, the California  
8 Independent System Operator, the Public Utilities Commission,  
9 the Department of Conservation, and the Seismic Safety  
10 Commission as necessary, to gather and analyze the information  
11 required by this paragraph.

12 (D) Upon completion and publication of the initial review of  
13 the information required pursuant to this paragraph, the commission  
14 shall perform subsequent updates as new data or new understanding  
15 of potential seismic hazards emerge.

16 (b) Commencing November 1, 2003, and every two years  
17 thereafter, to be included in the integrated energy policy report  
18 prepared pursuant to Section 25302, the commission shall assess  
19 the current status of the following:

20 (1) The environmental performance of the electric generation  
21 facilities of the state, to include all of the following:

22 (A) Generation facility efficiency.

23 (B) Air emission control technologies in use in operating plants.

24 (C) The extent to which recent resource additions have, and  
25 expected resource additions are likely to, displace or reduce the  
26 operation of existing facilities, including the environmental  
27 consequences of these changes.

28 (2) The geographic distribution of statewide environmental,  
29 efficiency, and socioeconomic benefits and drawbacks of existing  
30 generation facilities, including, but not limited to, the impacts on  
31 natural resources including wildlife habitat, air quality, and water  
32 resources, and the relationship to demographic factors. The  
33 assessment shall describe the socioeconomic and demographic  
34 factors that existed when the facilities were constructed and the  
35 current status of these factors. In addition, the report shall include  
36 how expected or recent resource additions could change the  
37 assessment through displaced or reduced operation of existing  
38 facilities.

39 (c) In the absence of a long-term nuclear waste storage facility,  
40 the commission shall assess the potential state and local costs and

1 impacts associated with accumulating waste at California's nuclear  
2 powerplants. The commission shall further assess other key policy  
3 and planning issues that will affect the future role of nuclear  
4 powerplants in the state. The commission's assessment shall be  
5 adopted on or before November 1, 2008, and included in the 2008  
6 energy policy review adopted pursuant to subdivision (d) of Section  
7 25302.

8 (d) (1) The commission shall evaluate the adequacy of the  
9 electric distribution system of ~~the 10 largest local publicly owned~~  
10 ~~electric utilities in the state, based on the number of retail customers~~  
11 ~~receiving electrical service, as part of the integrated energy policy~~  
12 ~~report due on or before November 1, 2009. The each local publicly~~  
13 ~~owned electric utility that meets all of the following criteria:~~

14 (A) *The utility has at least 50,000 retail customers receiving*  
15 *electrical service from the utility. The number of retail customers*  
16 *receiving electrical service shall be determined by the commission*  
17 *based on the Annual Electric Power Industry Report for 2005,*  
18 *based on information from Form EIA-861 of the Energy*  
19 *Information Administration of the United States Department of*  
20 *Energy.*

21 (B) *At least 84 percent of the retail customers receiving*  
22 *electrical service from the utility are residential customers.*

23 (C) *The utility is not organized and operating pursuant to*  
24 *Division 6 (commencing with Section 11501) of the Public Utilities*  
25 *Act.*

26 (2) *The evaluation shall consider all of the following:*

27 (A) *The age and expected life of system components.*

28 (B) *Adequacy of maintenance.*

29 (C) *Level of recent and planned investment in the distribution*  
30 *system by the local publicly owned electric utility.*

31 (D) *Opportunities for improved energy efficiency from*  
32 *high-efficiency transformers.*

33 (E) *Performance reliability and system restoration after outages,*  
34 *including a list of circuits that exceed the local publicly owned*  
35 *utility's reliability targets for more than two consecutive years.*

36 (F) *Recruiting and training programs to replace and expand the*  
37 *aging workforce.*

38 (2)

39 (3) *The evaluation shall compare the adequacy of the electric*  
40 *distribution systems of the included publicly owned electric utilities*

1 with those of electrical corporations, using industry-based  
2 benchmarks. The Public Utilities Commission shall assist the  
3 commission's evaluation by providing the information required  
4 in subparagraphs (A) to (F), inclusive, of paragraph~~(1)~~ (2),  
5 regarding the electrical corporations it regulates and technical  
6 support to review information provided by *the included* publicly  
7 owned electric utilities. *The evaluation shall not require field*  
8 *investigation by the commission. The commission shall base the*  
9 *evaluation upon information requested by the commission and*  
10 *other available information that the commission determines to be*  
11 *reliable.*

12 ~~(3)~~

13 (4) For purposes of this section, "electric distribution system"  
14 includes all lines, substations, equipment, and facilities from the  
15 transmission system to the customer meter, and all facilities for  
16 operating and controlling that system.

17 (e) This section does not confer authority upon the commission  
18 to regulate local publicly owned electric utilities.